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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

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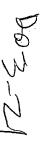
Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINN	ING 01/01/04	AND END	ING 12/31/04
	MM/DI	D/YY	MM/DD/YY
A	REGISTRANT ID	ENTIFICATION	
NAME OF BROKER-DEALER: Pr	ime Solutions Sea	curities, Inc.	OFFICIAL USE ONL
ADDRESS OF PRINCIPAL PLACE O	F BUSINESS: (Do not a	use P.O. Box No.)	FIRM I.D. NO.
17601 West 130th Street,	Suite 7		
·	(No. and	Street)	
North Royalton	Ohio	44133	
(City)	(State)	(Zip Code)
NAME AND TELEPHONE NUMBER Victor Bull	OF PERSON TO CONT		THIS REPORT -0–230–5400
			(Area Code - Telephone Num
В.	ACCOUNTANT ID	ENTIFICATION	
INDEPENDENT PUBLIC ACCOUNT. Cohen McCurdy, Ltd.	ANT whose opinion is co	ontained in this Report*	
	(Name - if individual	, state last, first, middle name)	DECEIVED CO.
826 Westpoint Parkway, Su	ite 1250	Westlake, Oh	nio 45745
(Address)	(City)		(Stage) MAR @ 1 (21) Code)
CHECK ONE:			
	ant		185/5
☐ Public Accountant			PROCESSED
☐ Accountant not resident	n United States or any o	of its possessions.	MAR 2 3 2005
	FOR OFFICIAL	L USE ONLY	- 1 / M ~
			JENANCIAL STRANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

Ι, _	Victor Bull	, swear (or affirm) that, to the best of
my	knowledge and belief the accompanying financial statem Prime Solutions Securities, Inc.	nent and supporting schedules pertaining to the firm of, as
of	DECEMBER 31 , 20	ov, are true and correct. I further swear (or affirm) that
nei	ither the company nor any partner, proprietor, principal o	officer or director has any proprietary interest in any account
cla	ssified solely as that of a customer, except as follows:	
	NO EXCEPTION.	S
		Vully
		Signature
		Presioent
(OM Rotary Public	ANNE M. REINKOBER
Th	is report ** contains (check all applicable boxes):	My Commission Expires April 24, 2005
	 (a) Facing Page. (b) Statement of Financial Condition. (c) Statement of Income (Loss). (d) Statement of Changes in Financial Condition. 	
	 (e) Statement of Changes in Stockholders' Equity or Pa (f) Statement of Changes in Liabilities Subordinated to (g) Computation of Net Capital. 	
X X	 (h) Computation for Determination of Reserve Requirer (i) Information Relating to the Possession or Control R (j) A Reconciliation, including appropriate explanation 	equirements Under Rule 15c3-3. of the Computation of Net Capital Under Rule 15c3-3 and the
	consolidation.	I Statements of Financial Condition with respect to methods of
		to exist or found to have existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

PRIME SOLUTIONS SECURITIES, INC.

DECEMBER 31, 2004

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SHAREHOLDER
PRIME SOLUTIONS SECURITIES, INC.

Independent Auditors' Report

We have audited the accompanying statement of financial condition of Prime Solutions Securities, Inc. (the Company) as of December 31, 2004, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prime Solutions Securities, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cohen McCurdy

January 27, 2005 Westlake, Ohio





STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2004

ASSETS

CASH AND CASH EQUIVALENTS	\$	77,277
COMMISSIONS RECEIVABLE		94,386
DEFERRED TAX ASSET		1,366
PREPAID EXPENSES		1,192
FURNITURE AND EQUIPMENT - AT COST LESS ACCUMULATED DEPRECIATION OF \$1,391	<u> </u>	7,663 181,884
LIABILITIES AND SHAREHOLDER'S EQUITY		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$	13,533
COMMISSIONS PAYABLE		84,94 <u>9</u> 98,482
COMMITMENTS		
COMMON STOCK \$1 par value 500 shares authorized		
100 shares issued and outstanding		100
ADDITIONAL PAID-IN CAPITAL		60,500
RETAINED EARNINGS	<u> </u>	22,802 83,402
	\$	<u> 181,884</u>

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2004

REVENUES Commissions Management and investment advisory income	\$ 505,220 240,040
Interest income	213
Other income	29,136
	<u>774,609</u>
EXPENSES	
Commissions, employee compensation and benefits	706,547
Occupancy	13,462
Communications and data processing	7,787
Floor brokerage and exchange fees	15,059
Insurance	9,419
Professional fees	12,779
Other expenses	7,266
	772,319
NET INCOME	<u>\$ 2,290</u>

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2004

	ADDITIONAL OMMON PAID-IN RETAINED STOCK CAPITAL EARNINGS				TOTAL		
BALANCE – JANUARY 1, 2004	\$ 100	.\$	60,500	\$	20,512	\$	81,112
NET INCOME			· ·		2,290		2,290
BALANCE – DECEMBER 31, 2004	\$ 100	<u>\$</u>	60,500	\$	22,802	\$	83,402

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

CASH FLOW USED IN OPERATING ACTIVITIES Net income Increase (decrease) in cash resulting from changes in operating assets and liabilities Commissions receivable Prepaid expenses Accounts payable and accrued expenses Commissions payable Net cash used in operating activities	\$. \$	2,290 (41,317) (797) (4,883) 19,380 (25,327)
CASH FLOW USED IN INVESTING ACTIVITY Acquisition of furniture and equipment		(713)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(26,040)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	-	103,317
CASH AND CASH EQUIVALENTS – END OF YEAR	\$	77,277
SUPPLEMENTAL CASH FLOW DISCLOSURE Income taxes paid	\$	4,844

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Prime Solutions Securities, Inc. (the Company) was incorporated on September 1, 1998, in the State of Ohio for the purpose of acting as a securities broker-dealer, engaged primarily in selling mutual funds and other securities. The Company is registered with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers, Inc. (NASD).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Restricted Cash

The Company has a \$50,000 interest bearing deposit with its clearing broker pursuant to its clearing agreement. The deposit is included in cash and cash equivalents.

Cash and Cash Equivalents

At times during the year, the Company's cash accounts exceeded the related amount of Federal depository insurance. The Company has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk.

The Company considers financial instruments with a maturity of less than 90 days to be cash equivalents.

Depreciation

The Company primarily uses the straight-line method of depreciation for financial reporting purposes using estimated useful lives of five to ten years.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commissions

Commissions and related clearing expenses are recorded on a settlement date basis as securities transactions occur, which approximates trade date.

Concentration of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Receivables and Credit Policies

Commissions receivable are uncollateralized clearing broker obligations due under normal trade terms requiring payments within 30 days from the report date. The Company generally collects receivables within 30 days and does not charge interest on commissions receivable with invoice dates over 30 days old.

Commissions receivable, net of trading costs, are stated at the amount billed. Payments of commissions receivable are allocated to the specific transactions identified on the clearing broker statement or, if unspecified, are applied to the earliest unpaid amounts.

Management individually reviews all commissions receivable balances that exceed 30 days from the invoice date and based on an assessment of current credit worthiness, writes off the portion, if any, of the balance that will not be collected. In the opinion of management, at December 31, 2004, all commissions were considered collectible and no allowance was necessary.

3. NET CAPITAL PROVISION OF RULE 15c3-1

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital balance, as defined, under such provisions.

The Company's minimum capital requirement is the greater of \$30,000 or 6\%% of aggregate indebtedness, as defined, under Securities and Exchange Commission Rule 15c3-1(a)(1), as it does not maintain customer accounts. Net capital may fluctuate on a daily basis. At December 31, 2004, the Company had net capital of \$68,897, which was \$38,897 in excess of the minimum requirements.

In addition to the minimum net capital provisions, Rule 15c3-1 requires that the Company maintain a ratio of aggregate indebtedness, as defined, to net capital, of not more than 15 to 1. At December 31, 2004, the ratio was 1.43 to 1.

NOTES TO THE FINANCIAL STATEMENTS

4. EXEMPTION FROM RULE 15c3-3

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirements of Rule 15c3-3.

5. EMPLOYEE BENEFIT PLAN

Substantially all of the Company's employees are covered under a simplified employee pension plan. The 2004 expense for this Plan was \$8,310.

6. COMMITMENTS

Lease

The Company occupies and utilizes office space in North Royalton, Ohio, under an operating lease with annual payments of \$12,300, expiring December 31, 2005. There is a one-year renewal option. It is expected that the Company will exercise this option. Rent expense for 2004 was \$12,300.

7. FEDERAL INCOME TAXES

Significant temporary differences that give rise to a net deferred tax asset consist of excess of tax depreciation over financial accounting depreciation, net operating loss carryforwards generated in the current year, and the difference between the accrual basis book income and cash basis tax income.

Gross deferred tax asset	\$ 2,443
Gross deferred tax liability	 (1,077)
Net deferred tax asset	\$ 1,366

There is no valuation allowance required against the deferred tax asset at December 31, 2004.

SUPPLEMENTAL INFORMATION

PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934

DECEMBER 31, 2004

SCHEDULE I - COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2004

NET CAPITAL		
Total shareholder's equity from statement of financial condition Less: Non-allowable assets	\$	83,402
Commissions receivable – Unsecured and 12b(1) fees \$ 4,184 Deferred tax asset 1,366		
Prepaid expenses 1,192		
Petty cash Furniture and equipment – Net of accumulated depreciation 7,663	_	14,505
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES Haircuts on securities		68,897
NET CAPITAL	\$	68,897
COMPUTATION OF AGGREGATE INDEBTEDNESS - TOTAL LIABILITIES FROM STATEMENT OF FINANCIAL CONDITION	<u>\$</u>	98,482
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT - 63/2% OF AGGREGATE INDEBTEDNESS	<u>\$</u>	<u>6,565</u>
MINIMUM REQUIRED NET CAPITAL	<u>\$</u>	30,000
NET CAPITAL REQUIREMENT	<u>\$</u>	30,000
EXCESS NET CAPITAL	<u>\$</u>	38,897
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	1	.43 to 1
A reconciliation of the computation of net capital under Rule 15c3-1 as included in the Compa Form X-17a-5 as of December 31, 2004 filed with the Securities and Exchange Commission a included in the accompanying Schedule I follows:		
Net capital, as reported in Company's Form X-17a-5, Part IIA	\$	73,181
Audit adjustments Non-allowable assets not deducted in Form X-17a-5, Part IIA		(4,284)
Net capital, as reported above	\$	68,897

SCHEDULES II AND III – COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2004

The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Under Rule 15c3-3" and "Information for Possession or Control Requirements Under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3, under Section (k)(2)(ii) of the Rule.



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SHAREHOLDER
PRIME SOLUTIONS SECURITIES, INC.

Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

In planning and performing our audit of the financial statements and supplemental schedules of Prime Solutions Securities, Inc. (the Company) for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1. Making quarterly securities examinations, counts, verifications, and comparisons
- 2. Recordation of differences required by Rule 17a-13
- 3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.





Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the shareholder, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than those specified parties.

Cohen McCondy

January 27, 2005 Westlake, Ohio